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SUBJECT: USITC STUDY ON SUB-SAHARAN AFRICA: EFFECTS OF
INFRASTRUCTURE CONDITIONS ON EXPORT COMPETITIVENESS

REF: STATE 85109

¶1. SUMMARY: GhanaQs physical infrastructure is adequate between the capital and the countryQs two major seaports, but can be less comprehensive in other parts of the country. There are ample areas for Ghanaian government and international donor collaboration and coordination in order to enhance the viability of infrastructure upgrades. Infrastructure issues significantly affect the competitiveness of GhanaQs non-traditional exports. Issues include limited surface area of roads and substandard road conditions, rising fuel costs, police roadblocks, where bribes are often solicited, traffic congestion, a lack of alternative routes, unsuitable trucks, and a limited rail network. A major impediment in the maritime sector is the lack of a direct shipping line from Ghana to the U.S., which results in high shipping costs and a long turnaround time. In addition, export volumes lead to fewer scheduled vessels calling at the port, which makes planning difficult for exporters. The rising cost and limited availability of power in farming areas significantly increases production costs and reduces the shelf life of perishable fruits. High interest rates and credit tightening discourage companies from engaging in investment and capacity building on their own. END SUMMARY

ROAD AND RAIL TRANSPORT

¶2. The current physical infrastructure conditions of land transport (road and rail) range from adequate to weak, depending on the sector and region. The roads in southern Ghana, particularly from Accra to Tema/Takoradi (the two primary seaports) are considered exceptionally good. Likewise, the major roads from Tema, Lome, Ouagadougou, and Bamako are also considered relatively well-developed. In the hinterlands, however, where many goods are produced, particularly in the agriculture sector, road transport conditions tend to decline. This is also true in the less-developed north, where there are fewer paved roads and the distances between communities are greater. Throughout the country, the cost of moving cargo by land has risen with rising fuel costs.

¶4. Road transport is the major mode of transport of export commodities. The limited rail network in Ghana is used to transport of bauxite, manganese, timber and cocoa in the western part of Ghana. Road transport impediments include substandard roads, delays at police roadblocks, and bribe solicitation at the roadblocks. Due to serious delays at the border, the movement of goods is economically inefficient. Traffic congestion and lack of alternative routes cause delays, while non-refrigerated and open-top trucks leads to increased fruit spoilage.

¶5. The GoG has plans to expand its rail network, but current efforts have focused on passenger transport rather than cargo haulage. There are ongoing efforts by the GoG and donor countries to improve conditions of road and rail transport. Under GhanaQs Millennium Challenge Account Compact, some farm roads will be improved and a 14 km segment of a major highway leading to the Tema port will be reconstructed.

¶6. The West African Trade Hub and Ghana Shippers Council have been working closely with truck drivers, truck owners and customs officers to reduce the costs of land transport and border crossing time throughout West Africa. They also seek to reduce corruption while looking for more efficient ways to facilitate trade, including the use of new infrastructure hardware (ports, cranes, etc). The World Bank has implemented a number of projects to support export competitiveness. In the 1990s, they sought to diversify agricultural exports by improving roads to the major pineapple growing areas of the country.

¶7. Roads to tourist attractions in the southern part of Ghana are relatively good, but those in the northern part are poor. There is no public transport network accessing major tourist attractions, so tourists are faced with renting vehicles. Rental charges are increasing due to higher fuel and vehicle maintenance costs.

MARITIME TRANSPORT

¶8. Maritime transport is considered to be suitable, although a number of soft infrastructure conditions produce impediments. The major impediment in the maritime sector is the lack of direct shipping lines between Ghana and the United States, which drives up trading costs between the two countries. The apparel export sector, which is currently producing under capacity, mentioned the lack of direct shipping lines, among other factors, as the cause of a 90-day turnaround time for U.S. orders.

¶9. Relatively few scheduled vessels call on Ghanaian ports because of the low volume of exports. According to the Ghana Shippers Council, only two shipping lines do direct shipment to Europe, so most exports have to be consolidated and trans-shipped, which leads

to longer transit days. Recently, the two scheduled reefer vessels calling on the port of Tema have been halved, reflecting a similar reduction in the volume of pineapple exports. Some exporters have reported spoilage of fruit at the port because they have to wait for unscheduled vessels. Export shipments are also examined manually, which leaves room for bribery and is very time consuming.

ELECTRICITY

¶10. In Accra and in more developed areas of the country, electricity supply is consistently available. However, the rising cost of electricity has decreased profitability significantly. The doubling of electricity tariffs in November 2007 to 14 cents per KWh, shot up the cost of production for users such as apparel manufacturers. In more remote parts of the country, where electricity is unavailable, fruits and vegetables cannot be pre-refrigerated before transport. Even if goods are pre-refrigerated, they are not refrigerated during transport due to a lack of cooling trucks within the country, therefore increasing spoilage during transport. Recently, the World Bank is working with the GoG to build a cold storage facility at Tema and may do the same at Kotoka International Airport. Farmers are now looking at ways to increase their yield and efficiency to offset the rising costs of electricity and fuel.

¶11. Working capital is insufficient. Across the board, all manufacturers and producers complained of a lack of support from local financial institutions. Even if exporters receive loans, they have trouble paying them back because of high interest rates. In all areas, technical knowledge of the export industry is lacking within Ghana. Many companies contend that this is an area where the government should step in and take action, either by creating tax incentives for manufacturers or by providing technical knowledge for banks, employees, and companies within the export sector.

¶12. COMMENT: The export sector in Ghana has much room for improvement because a lack of infrastructure hampers the country's competitiveness, especially in the non-traditional export sector. There is a need for more involvement on the part of donor organizations and the GoG in order to augment ongoing projects currently being conducted by organizations such as the Millennium Challenge Corporation (MCC) and Trade and Investment Program for Competitive Export Economy (TIPCEE), to better understand the impediments that are reducing export competitiveness within the

country. It is important for donor partners to work in conjunction with the GoG to avoid duplication of local initiatives, increase the reliability of their data, and enhance the sustainability of infrastructure projects. In addition, it would be effective for donor partners and the GoG to implement their export sector programs in tandem with the Ghana Export Promotion Council to improve host government human capacity building. END COMMENT

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